UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/CP/HON/5
23 March 1992
ENGLISH
ORIGINAL: SPANISH

Thirty-ninth session
4-29 May 1992, Geneva
Item 6 of the provisional agenda

PROGRAMME PLANNING

Country and intercountry programmes and projects

FIFTH COUNTRY PROGRAMME FOR HONDURAS

Programme period	Actual resources programmed	$
1992-1996	Estimated cost-sharing	25 550 000
	Net IPF	12 991 000*
	Total	38 541 000

CONTENTS

		Paragraphs	Page
I.	DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES	1 - 13	3
	A. Current socio-economic situation	1 - 6	3
	B. National development objectives and strategies ...	7 - 13	4
II.	EXTERNAL COOPERATION	14 - 18	6
	A. Role of external cooperation	14 - 16	6
	B. Aid coordination arrangements	17 - 18	6

* This $12,991,000 IPF represents a $2,580,000 increase over the current $10,408,000 IPF for the fifth cycle. The new IPF is based on preliminary data received from the World Bank reflecting a revised per capita income for 1989 of $736. The final IPF figure is subject to a review of its application by the UNDP Governing Council.

92-13516 3101g (E) 140492 *150492*

/...

CONTENTS (continued)

		Paragraphs	Page
III.	THE COUNTRY PROGRAMME	19 - 54	7
	A. Assessment of ongoing country programme	19 - 21	7
	B. Proposals for UNDP cooperation	22 - 49	8
	C. Cooperation outside selected areas of concentration	50	18
	D. Implementation and management arrangements	51 - 54	18

Annexes

I.	Financial summary	19
II.	Programme matrix	21

I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. Honduras is one of the four countries in the Americas with the lowest income levels, highest poverty rates and greatest vulnerability to international terms of trade.

2. The national economy is basically a primary economy. Agriculture, forestry and aquaculture generate 25.5 per cent of the gross domestic product (GDP) and over 75 per cent of export earnings. The country's forestry potential (70 per cent of the national territory) has hardly been tapped, but it has been steadily weakened by the ecological damage wrought by inappropriate land use, a decline in the rate of reforestation and the widespread use of biomass as fuel. The manufacturing sector is technologically backward and contributes barely 16 per cent of GDP, and its capacity for supplying competitive goods, generating employment and absorbing the population that has emigrated from the countryside is very limited.

3. The rate of growth of GDP was 4.3 per cent in 1989 and nil in 1990. The rate of economic growth in recent years has generally been low and erratic, since sources of growth are very vulnerable and economic performance is closely linked to external factors such as deteriorating terms of trade, reduced levels of international financing since 1985, higher interest rates and commercial restrictions resulting from the slow growth of agricultural exports. National savings and investment account for barely 12 and 6 per cent of GDP respectively, while the total public sector deficit is nearly 10 per cent of the national product. The balance-of-payments current account deficit averaged the equivalent of 8 per cent of GDP in the period 1985-1990.

4. The country ranks 100th on the Human Development Index. Its current population is close to five million inhabitants, 61 per cent of whom live in rural areas, and its annual population growth rate is nearly 3 per cent (one of the highest in Latin America). In 1990, per capita income was $484 - lower than at the beginning of the 1980s. Such income is also highly concentrated, with 10 per cent of the population receiving 43.1 per cent of employment earnings and the poorest 20 per cent receiving barely 3.1 per cent. In 1988, it was estimated that 68 per cent of households were poor and 52 per cent were living in poverty.

5. Between 1974 and 1988, the literacy rate declined from 40.2 per cent to 32 per cent and the number of illiterates increased from 700,000 to 900,000. The infant mortality rate is currently over 50 per thousand, 42 per cent of children under the age of five suffer from malnutrition and 36 per cent of the population does not have access to primary health care. Nearly 30 per cent of the population does not have a drinking water supply and only 35 per cent of homes have a mains water supply. There is a significant gap between the socio-economic status of men and women. Women's participation in the labour force and in politics is minimal and they have high rates of mortality as a result of complications of pregnancy and anaemia, the prevalence of the latter

being five times greater than in men. The country has the highest recorded rates of AIDS in Central America, perhaps because there is a good system of monitoring and statistical follow-up. In the past year, it has waged an intensive campaign against cholera, which partly explains the current low incidence of the disease.

6. It should be noted that, despite the country's economic and social difficulties, democracy in Honduras has advanced considerably. For three consecutive terms, citizens have participated in the election of their Government, and civic and trade union organizations have grown. Recently, the first steps were taken towards decentralizing decision-making and State action.

B. National development objectives and strategies

7. Because of the socio-economic situation described above, in 1990 the Government decided to undertake a vigorous programme of economic reorganization and structural reforms designed to pave the way for a high and sustained level of economic growth brought about by expansion of exports, private investment and parallel government investment to support these lines of action. Accordingly, it embarked on a series of measures to restore the balance in its macroeconomic accounts. These measures include a major, gradual reduction of the fiscal deficit, an increase in public savings and the redefinition of the role and size of the public sector, including the consideration of privatization alternatives. The Government has also devoted all its attention to setting in motion a top priority public investment programme in the areas of production infrastructure, basic services and the social areas most crucially important for human development.

8. As part of its strategy to transform the economy and enhance human capacities and development, the Government has also made efforts and mobilized resources to promote and apply a human development programme covering production aspects, social aspects, grass-roots participation as a development resource and productive employment as a means of combating poverty.

9. Structural reforms, the main benefits of which are expected to be felt in the medium and long term, are also in progress, designed essentially to boost investor confidence and create a more competitive environment through the reduction of protectionism, the rationalization of tariffs, price liberalization, the free determination of interest rates according to market conditions and the definition of clear, stable rules of the game for promoting productive investment. This set of reforms has been backed by funding pledges and policy agreements with the World Bank and the International Monetary Fund.

10. In order to mitigate the adverse effects of economic adjustment measures, which tend to accentuate social imbalances, and to enhance the population's living conditions and the quality of human resources, the Government has set in motion a number of short-term social development programmes aimed at meeting basic education, health, nutrition and housing needs and at implementing productive projects for workers in the urban and rural informal

sector. These programmes are funded and channelled mainly through the Honduran Social Investment Fund (HSIF) and the Family Allowance Programme (PRAF) and are supported by international cooperation and soft loans. Moreover, to help achieve overall social equilibrium in the medium and long term, a human development, children and youth programme has been launched which also includes an innovative programme for generating permanent employment as part of the long-term strategy which the Government considers essential for ensuring growth and human development. This programme has received support from the United Nations Children's Fund (UNICEF) and UNDP and was signed by the President of the Republic at the Presidential Summit held in December 1991.

11. One particularly important aspect of the Government's socio-economic policy is the promotion of forestry and fisheries development, combined with environmental protection, as a key to sustainable growth and increased well-being. The corresponding policy guidelines are the responsibility of the National Environmental Commission set up by the President of the Republic.

12. Having created the basic short-term conditions for structural adjustment, the Government, as mentioned in paragraph 9, has begun to implement a long-term strategy whose main focus is human development. In so doing, it hopes to maximize the potential sources of growth that exist in the country and to take advantage of the renewed market dynamism brought about by current macroeconomic policy. To support these efforts, it has undertaken a number of measures to enhance the efficiency and effectiveness of the public administration. These include: modernizing State institutions, strengthening mechanisms for democratic participation and actively involving the community in decision-making. The Government, in cooperation with UNDP, has promoted a programme for the modernization of the State whose underlying themes are adapting the State and its agencies to the new economic and social policy guidelines, consolidating political reforms, reorganizing the public administration and implementing political, institutional and financial decentralization. As part of this programme, the National Congress recently enacted the new Municipalities Act and the Act establishing the Presidential Commission on the Modernization of the State.

13. At the same time and as a key element of its strategy, the Government is promoting the modernization of sectors producing goods and services. This involves strengthening mechanisms conducive to private investment and incorporating development and technological innovation as a principal vehicle for improving international competitiveness, thereby making the country's economy strong enough to permit its effective incorporation in the international economy. The latter is an instrumental goal of the long-term strategy for guaranteeing a higher level of human development.

II. INTERNATIONAL COOPERATION

A. Role of external cooperation

14. In 1990, Honduras obtained technical cooperation and non-reimbursable credit worth $227.5 million. About 80 per cent of that amount came from bilateral partners (notably the United States of America, with $167 million), 12 per cent was contributed by regional organizations (particularly the European Community), 5 per cent by United Nations bodies (especially the World Food Programme (WFP), the World Health Organization/Pan American Health Organization (WHO/PAHO) and UNDP), and 3 per cent by non-governmental sources. On a sectoral basis, the technical cooperation was distributed as follows: economic management and planning, 48 per cent; social development (including education and health), 21 per cent; renewable natural resources and agriculture, 17 per cent; industry, trade and technological development, 7 per cent; regional development and disaster prevention, 6 per cent; and humanitarian aid, 1 per cent.

15. Honduras benefits from regional cooperation provided within the framework of the development and economic integration initiatives of the Central American region. In particular, it participates in the Central American Economic Plan of Action (PAECA), receives assistance from the European Community under the Luxembourg Agreement, and participates in the Special Plan of Economic Cooperation for Central America (PEC), coordinated by UNDP. It also receives assistance from other Latin American countries, especially Colombia, Mexico and Venezuela, in the areas of institutional reorganization, social development, decentralization, disaster prevention, ecotourism and government administration of human rights. Some of this assistance has been channelled through the mechanism of technical cooperation among developing countries (TCDC).

16. In January 1990, the external debt was estimated at $3,600 million, excluding arrears in interest payments. This figure is equivalent to 76.5 per cent of the GNP, and about 90 per cent of it is attributable to the public sector. Although debt servicing represented about 35 per cent of the value of exports in the period 1985-1990, in December 1989 Honduras was in debt to its creditors for an equivalent of 15.3 per cent of the GNP. Recently, by means of adjustment policies and social compensation activities, the Government has regained the confidence of the credit bodies which had suspended loans years back, reached important agreements with the multilateral banks for establishing a medium-term external financing programme and secured forgiveness of a substantial portion of its debt with the Government of the United States of America and other nations.

B. Aid coordination arrangements

17. The Secretariat of Planning, Coordination and Budget (SECPLAN) is the government body responsible for coordinating international cooperation, both technical and financial, from bilateral, multilateral, regional and

non-governmental sources, and ensuring that it is brought in line with national development needs and government policies. Currently, SECPLAN is establishing a system for the planning, coordination, administration and evaluation of international cooperation.

18. The Government considers that UNDP should essentially play the role of coordinator of the agencies of the United Nations system and, along with them, advise it with regard to the cooperation provided to Honduras by the system.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing programme

19. The fourth country programme (1987-1991) was designed to support the activities of the Government in three priority areas: (a) improvement of the social conditions of the lowest income population, (b) rationalization of production and financial structures and (c) improvement of the systems for the planning, coordination and management of public policies. The programme had IPF resources of $10.1 million, contributions from other UNDP funds of $1 million and resources from cost-sharing and bilateral sources of $19.6 million, amounting to a total of nearly $30.7 million.

20. The fourth cycle met the Government's requirements in an effective manner by facilitating the execution of high-impact national programmes and was brought into line with the strategy changes that resulted from the formulation of the programme of structural adjustment and social compensation. Its most significant results include the following:

(a) In the area of assistance to activities directed at the lowest income population, UNDP support was of particular importance in the establishment of the Honduran Social Investment Fund (FHIS). This support, in which WFP, UNICEF and the United Nations Population Fund (UNFPA) participated, included securing the information required for determining the extent of poverty in Honduras and identifying vulnerable groups and mobilizing external resources for FHIS in an amount of nearly $70 million. The projects to promote production (agricultural, forestry and handicrafts) and for the storage of grains carried out in the poorest rural areas were considered particularly successful, as were the pilot experiments in the integral and self-sustaining development of rural communities carried out with the support of the Government of the Netherlands which are now being replicated in 120 communities for the direct benefit of 7,500 persons, particularly women. The human development commitments made at the Summit of the Central American Presidents held in December 1991 with the support of UNICEF and UNDP are particularly encouraging;

(b) In respect of support to the rationalization of productive and financial structures, the strengthening of the National Industrial Development Fund had particular impact; this enabled the Fund to embark on the programme for rehabilitation and conversion of enterprises; improve operational

procedures and the technical capacity of the Industrial Development Centre in the areas of project preparation and credit supervision; and offer organizational assistance and transfer of technology to small producers, as a result of which exports of cardamom were recently initiated. There was particular emphasis on cooperation in sustainable environmental development, including the preparation of the national report for the United Nations Conference on Environment and Development, the design of the Plan of Action, the formulation of an adequate legal framework and preparation of project profiles for the first round-table of forestry donors, at which technical and financial assistance worth $21 million was secured;

(c) In the area of support to the public sector, the assistance provided by UNDP, along with UNFPA, had a significant impact in respect of the organization of the National Population and Housing Census of 1988 and the use of its results for the formulation and evaluation of policies; the first phase of the training of national personnel in the evaluation of macroeconomic policies; support to the process of the incorporation of Honduras into the Central American tariff and customs system; and the initiation of the activities of the Management Development Programme (MDP), which has been a basic element in the formulation of the programme for the modernization of the State and decentralization.

21. The Government and UNDP have agreed in identifying the following as deficiencies in the management of the fourth cycle: unrealistic project formulation, delays in the recruitment of consultants and in the selection and coordination of counterpart personnel, rotation of counterpart officials and difficulties in allocating logistical support. Joint efforts will be needed to eliminate these shortcomings.

B. Proposals for UNDP cooperation

1. Process of preparation

22. The preparation of the fifth country programme was begun in 1990 with a process of joint reflection between the Government and UNDP on the focus and scope of cooperation in relation to the processes of economic adjustment, strengthening of production, social compensation, modernization of the State and environmental development envisaged by the Government. At joint working meetings at the highest level, representatives of SECPLAN and UNDP also analysed UNDP's strategy of cooperation, the conclusions of the Consultative Group, the mid-term review of the fourth cycle, the Government's sectoral policies and the programme guidelines of UNDP, especially those laid down in General Assembly resolution 44/211 and in decision 90/34 of the UNDP Governing Council.

23. An especially detailed study was carried out by SECPLAN on the basis of the UNDP advisory note. The agencies of the United Nations system represented in Honduras participated actively in defining the support to be provided to the Government in the thematic areas it had identified. The current country

programme, which was prepared by the Government with the support of the local office of UNDP, represents a consensus of the Government authorities, agencies of the United Nations system and UNDP. The final formulation of the programme incorporated in detail the guidelines and recommendations of UNDP in the advisory note, with which it is totally compatible.

2. Strategy of UNDP cooperation

24. UNDP's cooperation with Honduras during the fifth cycle will be designed to strengthen the national capacity to carry out priority development programmes in the aspects in which the Government has the greatest needs and UNDP has comparative advantages in supporting it. In line with this strategy, cooperation will be provided for the objectives and programmes identified in the thematic areas, with a view to tackling one of the main national problems, the alleviation of poverty and human development. This strategy will be implemented through the following specific mechanisms: strengthening of the capacity for institutional management, formulation of national programmes, implementation of pilot experiments that can be replicated on a large scale to test the viability of these programmes, mobilization for them of resources of international technical and financial cooperation, transfer of technology, promotion of the participation of non-governmental agents (NGOs, grass-roots organizations, private sector) and evaluation of the impact of the programmes.

25. This strategy will make it possible to benefit from the comparative advantages of UNDP cooperation, including: access to universal sources of knowledge, international experience and external cooperation; flexibility in mobilizing technical and financial resources; speed in responding to requests made by the Government; political and sectoral neutrality; breadth of coverage in promoting Central American regional integration; and installed capacity for administering resources from other cooperating sources entrusted to it. In addition, UNDP will continue to strengthen its coordination with the other agencies of the United Nations system and with multilateral banks. Making use of these advantages, the resources of the IPF will be used as "seed money" for the mobilization of additional cooperation and financing.

3. Thematic areas

26. The four areas of cooperation of the fifth country programme described below correspond to the major priorities of the national development policy and at the same time are in accord with the basic guidelines for UNDP activity embodied in the global targets for human development. The thematic areas identify possible aspects of cooperation by UNDP, which will be incorporated in programmes or projects at the request of the Government, thereby ensuring full complementarity with government programmes. Execution will be national. The United Nations system will be called upon to participate with cooperation and/or assistance in the implementation of the programme.

27. The evaluation of the impact of cooperation within the framework of national programmes is of particular importance. For this purpose, indicators of the impact found in each of the areas must be carefully applied, with the joint participation of UNDP, SECPLAN and the bodies involved.

Support for the economic modernization and social development programme

28. National objective. To lay the foundations for a new model of development which will ensure high and stable economic growth rates simultaneously with a widespread increase in social well-being under a new strategic concept of development.

29. The first stage in the establishment of this model, which is currently under way, involves a restructuring of economic and social management. Consequently, a far-reaching macroeconomic reform of the fiscal, finance and credit, monetary and foreign trade aspects has been initiated, as has the reorganization of the institutional structures for supporting production activity and investment in infrastructure, with a view to promoting the modernization and development of national production sectors that are highly competitive on external markets and optimizing supply to national markets. For the success of these activities to be feasible, the Government considers it essential to contain the traditional social imbalances, mitigate the negative effects of the initial phase of installation of the new economic model and lay the foundations for stable social development. To this end, it plans to focus social investment on the most vulnerable groups, creating conditions for their well-being and productivity, and to strengthen the institutional and financial capacity of the education, health and drinking water and food security and housing sectors in line with the action framework and objectives proposed by the Government at the 1991 Summit of Central American Presidents.

30. UNDP cooperation. The UNDP cooperation will include three basic components:

(a) Support for economic modernization. UNDP will support the agencies making up the Economic Cabinet in strengthening their technical capacity, improving the planning and evaluation mechanisms, strengthening regional integration and transferring experience. This cooperation will include, in particular, the following aspects:

(i) Reinforcement of national capacity to measure the social and economic impact of macroeconomic decisions and take the necessary corrective measures without prejudice to the macroeconomic objectives established. Special emphasis will be placed on training in the operation of simulation models, forecasting and analysis of socio-economic variables such as prices, incomes, employment and salaries;

(ii) Strengthening of national capacity to execute the public investment programme in line with the new requirements of development, including the project identification, formulation, management, follow-up and evaluation phases. Special priority will be assigned to strategic planning and the organization of the national system of investment projects and to training personnel in defining and promoting their financing;

(iii) Promotion of the high-level transfer of other countries' experience with economic management programmes;

(iv) Strengthening of initiatives and actions designed to improve the terms of international trade. These include Central American trade integration, the harmonized regional tariffs regime, the regional customs system, the incorporation of Honduras in the Generalized System of Preferences and the formation of a group specializing in the international trade negotiations relating to the Americas Initiative, the European Community, the Pacific basin and the General Agreement on Tariffs and Trade (GATT);

(v) Development of information systems for the administration of external public debt and the preparation of models to simulate scenarios for the purpose of terming debt policies and negotiations;

(b) Targeting of social expenditure and achievement of human development goals. UNDP will provide direct support to the agencies making up the Social Cabinet and to SECPLAN in the activities related to targeting of social expenditure and pursuit of the human development goals stated at the Summit of Central American Presidents. This support will be used to strengthen the system for measuring poverty, establish a system for identifying and selecting beneficiaries of social programmes which will ensure that they are the poorest and most vulnerable, and design and implement the initial phase of a system to monitor the timeliness and impact of social programmes, including definition of appropriate methodologies and indicators and training for national personnel;

(c) Promotion of cooperation for social development. UNDP will promote cooperation from other sources, at the Government's request, in the following areas:

(i) Education. Expansion of coverage of basic education and literacy programmes in rural and marginalized urban areas and qualitative improvement of education with a view to reducing drop-out and repeat frequencies;

(ii) Health and drinking water. Creation of the conditions necessary for expanding access to basic health services in rural and marginal urban areas; expansion of preventive care throughout the country, especially in basic sanitation, drinking water, sewerage, health education and immunizations; strengthening of the national campaigns to control cholera and prevent AIDS; improvement of the pregnancy and childbirth care system; promotion of community participation in health management with the support of non-governmental organizations;

(iii) Nutrition and food security. Strengthening of activities designed to reduce malnutrition among infants and pregnant and nursing mothers, by drawing on national food production capacity;

(iv) Housing. In rural areas, design and implementation of a massive national programme for the self-help construction of low-cost housing, employing appropriate technologies that will optimize the use of the available forest resources; in urban areas, establishment of a programme to strengthen community capacity to install basic services and carry out housing improvements. Both programmes will involve the active participation of recipient communities, municipal authorities and non-governmental organizations.

31. Impact of the cooperation. The result of the cooperation provided or mobilized by UNDP with respect to economic modernization will be measurable on the basis of the installation of permanent mechanisms for assessing the social and economic impact of macroeconomic decisions, the use of simulation models, forecasting and socio-economic analysis, the functioning of the national investment project and debt administration systems and the existence of an international economic negotiating group. In the field of social development, impact will be measurable through the improvement in sectoral indicators, especially those for school attendance, drop-out and repeating, illiteracy, primary health care coverage, children immunized, perinatal mortality, infant malnutrition, absolute housing deficit and, in general, reduction in the proportion of the population living in poverty.

32. Additional cooperation. The supporting actions mentioned include current or foreseeable participation by the following cooperation sources: with respect to economic modernization, the World Bank, the Inter-American Development Bank (IDB), the International Monetary Fund (IMF), the United States Agency for International Development (USAID) and the Canadian International Development Agency (CIDA) for the redefinition of economic policy and macroeconomic stabilization; the World Bank and IDB through various loans for the development or production and foreign trade infrastructure; the United Nations Conference on Trade and Development (UNCTAD) for systematization of customs services. With respect to targeting of social expenditure, the World Bank, IDB, UNICEF, PAHO/WHO, the Food and Agriculture Organization of the United Nations (FAO), WFP, the United Nations Population Fund (UNFPA), the International Labour Organisation (ILO), the United Nations Fund for the Advancement of Women (UNIFEM) and USAID. With respect to social development, the World Bank with ongoing or scheduled loans for sectoral adjustment, rural primary education, basic health, FHIS, nutrition (PRAF) and drinking water and drainage; IDB with loans for hospital equipment and drinking water; WFP in support of the food coupon programme (PRAF) and FHIS, food for work, support for refugees and specially vulnerable groups; UNICEF in basic health, child survival, nutrition, rural education, immunization, basic services, services for women and community organizations; UNFPA in education, the mother and child programme and the advancement of women; PAHO/WHO in local health systems, basic sanitation, self-help, prevention of AIDS and cholera; United Nations Educational, Scientific and Cultural Organization (UNESCO) in primary education; United Nations Centre for Human Settlements (Habitat) (UNCHS) in housing; PEC in support of the reactivation of the Central American Common Market, the development of physical infrastructure, education, health, housing and food security programmes and assistance to vulnerable groups;

USAID in efficiency of primary education, basic health, child survival, nutrition, support for food imports and housing and residential services; the European Economic Community (EEC) in education in marginal zones, health facilities and training, immunization, drinking water and the mother and child programme; CIDA in mother and child health in marginal rural areas; the Government of Italy in assistance to vulnerable groups through PRODERE, drinking water and mother and child care; the Government of Netherlands in literacy and manpower training.

Strengthening of production sectors and improvement of employment and remuneration

33. Execution modalities and financing. UNDP cooperation in each of the three subtopics envisaged will gradually move towards the "programme approach". The IPF resources allocated to this area amount to $3,869,000, or 29.8 per cent of the IPF. Cost-sharing in the amount of $7,750,000 is expected.

34. National objectives. An essential complement to the economic modernization and social development programme is the reactivation of production. This is in turn the purpose and the foundation of the new development model, serving as the main axis of economic growth and responsible for meeting the greater part of social demands and for dynamizing employment and incomes.

35. Currently, the vast majority of production units in Honduras, both urban and rural, are performing simple processes which connote reduced investment, technological backwardness, low productivity, lack of international competitiveness and minimum capacity to generate foreign exchange and jobs. The role of the public sector is seen as being to ensure that the national production sectors successfully attain access to foreign markets and are able to optimize supply to the national markets while simultaneously increasing productive employment and wages. The Government's policy in this respect provides for promoting scientific and technological development, modernization and conversion of industry and foreign investment in sectors with a high supply potential to national, regional and international markets, with simultaneous support for micro-enterprises, which are broadly involved in the production of intermediate and consumer goods and services, and have a substantial impact on job creation.

36. UNDP cooperation. The cooperation of UNDP will focus on the design and implementation of the following planned or ongoing national programmes:

(a) National advisory programme on scientific and technological development, with special emphasis on the participation of universities, trade union organizations and private enterprises, as well as on cooperation under the mechanisms of TCDC and the United Nations International Short-term Advisory Resources (UNISTAR) in the areas of the promotion of research and university training, the upgrading of vocational training, and the establishment of centres for the development, promotion and dissemination of information about technology;

(b) Programme of support for industrial restructuring, in relation to the conduct of the studies required for conversion of the current industrial base, the establishment of data systems for the management of enterprises, the promotion of foreign investment in Honduras and the training of national personnel in identifying, formulating, following up and assessing investment projects in strategic production sectors;

(c) Pilot programme for export promotion, under the joint responsibility of the public and private sectors, to supplement international trade initiatives included in the economic modernization programme. Cooperation will aim at providing support for the establishment of a market information system, the reduction of bureaucratic procedures, the rationalization of tax incentives and the dissemination of technical norms and quality standards for companies with export potential;

(d) National programme for the development of micro-enterprises, including support for management of the public, private and non-governmental sectors, the development of training components, loans, marketing and technological development, and the transfer of the experiences of other countries;

(e) Agriculture and livestock sectoral programme, including the continuation of the support provided for broadening the scope of projects designed to promote the integral and self-sustaining development of rural communities, crop farming projects with and without irrigation, and technologies to increase the productivity of peasant women, as well as increased cooperation in the execution of projects relating to irrigation infrastructure, agricultural surveys, marketing of agricultural produce, transfer of production technologies, plant health, recovery of grain production and the technological improvement of exportable agricultural, marine and forestry products.

37. Impact of the cooperation. The impact of the cooperation provided or mobilized by UNDP will be measurable by the design and execution of the above-mentioned programmes, the establishment of the planned information systems, the supply of technical personnel trained in the management of productive investment projects and by the rise, in those areas in which projects are under implementation, in the indicators of productive investment, industrial and agricultural productivity, supply of agricultural produce, exports, employment and real wages.

38. Additional cooperation. The World Bank, IDB and USAID in the adjustment programme for the agriculture and livestock sector: the World Bank with loans for agricultural development, industrial development and small-scale irrigation; IDB with loans for rural development in some areas and animal health; the United Nations Industrial Development Organization (UNIDO) in the design and implementation of the programme of scientific and technological development, the formulation of plans for industrial conversion and the establishment of centres for the transfer of technology; WFP in the creation of jobs in rural areas; FAO in designing agricultural strategies, pest control

and plant-based fuels; UNIFEM in the area of employment and incomes for peasant women; PEC in agricultural development, industrial, support for small- and medium-sized enterprises and the promotion of cooperatives; the Regional Unit of Technical Assistance RUTA (PEC/World Bank) in the elaboration of agricultural policies; USAID in job creation, upgrading of industrial technology, development of enterprises and micro-enterprises, strengthening of producers' organizations, agrarian reform, agricultural and forestry research and marketing; pest control and the transfer of agricultural technology; EEC in information systems for the management of supervisory staff, agrarian reform, artisanal fishing, agricultural exports and integrated rural development; CIDA in agricultural planning and integrated rural development in a number of pilot areas and selected communities; the executive of the Swiss Economic Development Corporation (COSUDE) in the institutional strengthening of the agricultural sector, research and the transfer of agricultural technologies, post-crop management, agro-industry, integrated rural development and support for NGOs concerned with rural development; the executive of the Danish International Development Agency (DANIDA) in integrated rural development; the Government of the Netherlands in strengthening technological and marketing capacities for the promotion of agro-industrial exports, the incorporation of peasant women in development; the International Fund for Agricultural Development (IFAD) with programmes planned in rural development.

39. Execution modalities and financing. In each one of the above-mentioned subprogramme areas the programme approach will be gradually applied, except in the case of the agricultural sector, in which cooperation will take the form of projects. The IPF resources earmarked for this sector amount to $2,621 billion, which is equivalent to 20.2 per cent of the total for the area. Cost-sharing is expected to amount to $3,150 million.

Reform, modernization and decentralization of the State

40. National objectives. The Government has committed itself to modernizing and improving the efficiency of the public sector in order to ensure the viability of the new development model, strengthen democracy and promote respect for human rights. With this in mind, it began in 1990 the implementation of the programme for the strengthening of public management, which includes projects for the reorganization of several bodies, the development of a budgeting system, the streamlining of the public sector and the reduction of bureaucracy while at the same time introducing technical innovations into the system of public management. It also committed itself to bringing about significant improvements in the performance of a number of bodies in the process of negotiating new loans from abroad. With a view to strengthening this process, the executive received the approval of the National Congress in December 1991 to establish a broadly representative Presidential Commission for the Modernization of the State whose objective is to design and guide the implementation of the overall programme of State modernization. This process of reform is expected to include the strengthening of local authorities, in the context of the fiscal, institutional and political decentralization required by the Municipalities Act of 1991.

41. UNDP cooperation. UNDP cooperation will focus on the following areas:

(a) Administrative modernization. Support for the activities of the Presidential Commission on State Modernization and its executive secretariat in the restructuring, streamlining and development of the management system in the public sector; the conduct of studies relating to the redefinition of the particular functions of each level and sector of the administration; the strengthening of planning and management of the institutional restructuring and privatization processes;

(b) Decentralization and municipal development. Support for the activities of the Presidential Commission for State Modernization and its executive secretariat in relation to the formulation of decentralization policies, the redefinition of intergovernmental relations and the transfer of central government functions to the municipalities; support for training and technical assistance programmes and for the institutional strengthening of municipalities; support for the implementation of decentralized fiscal, political and administrative management programmes by muncipalities;

(c) Human rights: support for the Office of the President of the Republic in institutional development, education and promoting greater awareness promotion with regard to human rights and the elimination of discrimination against and the ill-treatment of children and women.

42. Impact of the cooperation. The impact of UNDP cooperation may be measured by the extent to which State modernization and decentralization policies and strategies are defined and made more explicit, successful and efficient programmes provide local services, and a significant improvement is achieved in the various indicators of respect for human rights.

43. Additional cooperation. The World Bank with a possible loan for technical assistance to the public sector and to municipalities; IDB with a current loan for municipal development; the application of Special Programme Resources (SPR) funds and of resources obtained through the management development programme (MDP) to the reorganization of some entities, the improvement of the budgeting system, the streamlining of the public service, and the reduction of bureaucracy in public administration while at the same time introducing technological innovations; PEC in strengthening management capacity in the public service; USAID in institutional development and in strengthening the Congress and the Office of the Auditor General, as well as in strengthening the administration of the main municipalities.

44. Execution and financing arrangements. In each of the above-mentioned subprogramme areas the programme approach will be gradually applied, except in the case of municipal decentralization projects, which are conceived as a project cluster. IPF resources earmarked to this programme area amount to $4,493 million, equivalent to 34.6 per cent of the total for the area. Cost-sharing is expected to amount to $9 million.

Sustainable environmental development

45. National objectives. There is growing awareness in the country of the need to bring about economic recovery and modernization through the rational use of natural resources. Because of this conviction, the Government established the National Commission on the Environment and, with the assistance of UNDP, elaborated the Environmental Agenda of Honduras. This agenda, which is based on a broad consensus, sets out strategies for achieving a sustainable model of development for the country in the context of policy adjustments, identifies requirements and possibilities for public and private participation in the rational management of the environment and formulates a set of policy recommendations for legal and institutional restructuring of the system of environmental management.

46. UNDP cooperation. UNDP cooperation will focus on direct support for and the promotion, at the request of the Government, of cooperation from other sources for the implementation of the national plan of action on the environment and its related projects. Specifically, such cooperation will cover two basic areas:

(a) Legal and institutional restructuring. Support to the National Congress for the formulation and study of the framework law on natural resources and for the national Government in improving its forestry policy, defining an energy policy, preventing natural disasters, managing and exploiting protected areas and creating a new institutional structure for general environmental management, with the participation of the private sector, community environmental organizations, municipalities and non-governmental organizations;

(b) Implementation of pilot projects. Mobilization of resources and support for the formulation and implementation of pilot projects, with community participation, in the fields of environmental education and sustainable management of fragile forests and ecosystem, such as mangrove swamps and coral reefs.

47. Impact of the cooperation. The impact of UNDP cooperation and of the sources mobilized by UNDP will depend above all on the extent to which the community and non-governmental organizations are mobilized with regard to environmental issues and on the knock-on effect of the activities undertaken. This may be indirectly assessed in part with the adoption and implementation of the Natural Resources Framework Act, the redefining of forestry policy, the formulation of energy policy, the definition of new institutional arrangements, a reduction in deforestation and an increase in the area reforested.

48. Additional cooperation. World Bank, with a credit under preparation for the implementation of environmental policies; WFP in agroforestry development; Global Environment Facility (GEF) in the prevention of forest fires; PEC with its environmental programmes; USAID with the sustained and environmentally friendly improvement of agricultural productivity; CIDA in forestry and tropical forests management; Government of the Netherlands in community forest management.

49. Implementation modalities and financing. In view of the current spread of institutions in the environment field, UNDP cooperation will comprise a cluster of projects, seeking to attain maximum coordination and exchange of experience. IPF resources earmarked for this area total $2,008,000, amounting to 15.5 per cent of the full IPF. Cost-sharing in the amount of $5,650,000 is provided for.

C. Cooperation outside selected areas of concentration

50. Support for the administration, coordination and implementation of international cooperation within SECPLAN, with the aim of strengthening it in technical and operational terms. Special Programme Resources (SPR) of $200,000, amounting to 2 per cent of the IPF, are provided for.

D. Implementation and management arrangements

51. The mid-term review, scheduled for 1994, and coinciding with the change of Government, may reveal the need to agree on changes in the thematic areas and in the earmarking of resources.

52. Functions relating to coordination, follow-up and programme evaluation will be the joint responsibility of the UNDP office in Honduras and of SECPLAN. Each thematic area will have a coordination and evaluation committee comprising representatives of SECPLAN, UNDP and the executing agencies.

53. The Government and UNDP have a common interest in strengthening execution and national implementation. Accordingly, they will continue their endeavours to expand the institutional capacity of government agencies, increase the quality and appropriateness of the earmarking of inputs for the attainment of planned activities, and bring UNDP's operations unit, conceived of as a support mechanism for national execution, into full operation. In this context full use will be made of national technical capacities, and the services of international consultants will be used only when the knowledge or experience required do not exist in the country. United Nations system agencies may cooperate in the implementation of highly specialized technical components.

54. In implementing the fifth cycle, the use of technical cooperation among developing countries will be increased, particularly with the countries of Latin America. Similarly, use will be made of other machinery administered by the United Nations with the aim of providing human resources for development, in particular United Nations Volunteers and UNISTAR, and links with global programmes will be strengthened with an emphasis on the special programme of economic cooperation for Central America and the regional programme for Latin America and the Caribbean.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

Carry-over from fourth cycle IPF	-
Fifth cycle IPF	12 991
Subtotal IPF	12 991 a/
Cost-sharing (Government) b/	10 551
Cost-sharing (third party)	15 000
Programme cost-sharing	-
Subtotal cost-sharing	25 550
TOTAL	38 541

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
Economic modernization and social development	3 869	7 750	11 619	30.15
Strengthening of production, employment and income	2 621	3 150	5 771	14.98
Modernization of the State and decentralization	4 493	9 000	13 493	35.01
Sustainable environmental development	2 008	5 650	7 658	19.86
Subtotal	12 991	25 550	38 541	100.00
Unprogrammed reserve				
TOTAL	12 991	25 550	38 541	100.00

a/ This figure represents an increase of $2.58 million on the current fifth-cycle IPF of $10,408,000. This amount is subject to approval by the Governing Council.

b/ In addition the Government of Honduras has made a government cash counterpart contribution of $1,540,000.

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES

		(Thousands of dollars)
A. UNDP-administered funds		
SPR	857	
UNCDF	-	
UNSO	-	
UNIFEM	113	
UNRFNRE	-	
UNFSSTD	-	
Management services agreement	4 350	
Subtotal		5 320
B. Other United Nations resources		
JCGP participating agencies:		
UNFPA	2 461	
UNICEF	3 380	
WFP	29 900	
IFAD	18 400	
Other United Nations agencies (non-UNDP financed)	10 434	
Global Environment Facility	4 800	
Subtotal		69 375
Total non-core and other United Nations resources		74 695
C. Non-United Nations resources		-
TOTAL		74 695

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus a/					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
ECONOMIC MODERNIZATION AND SOCIAL DEVELOPMENT						
Economic restructuring			*	*	*	
Social expenditure targeting	*		*	*		*
Mobilization of support for social development	*		*	*	*	*
STRENGTHENING OF PRODUCTION AND EMPLOYMENT						
Scientific and technological development		*	*	*	*	
Industrial restructuring			*	*	*	
Export promotion			*	*	*	
Development of micro-enterprises	*		*	*	*	*
Agricultural development	*	*	*		*	*
MODERNIZATION OF THE STATE AND DECENTRALIZATION						
Administrative modernization			*	*		
Decentralization and municipal development	*	*	*	*		
SUSTAINABLE ENVIRONMENTAL DEVELOPMENT						
Legal and institutional restructuring		*	*			
Pilot projects	*	*			*	*

a/ Asterisks indicate major linkage only.

UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/CP/HON/NOTE/5
23 March 1992

ORIGINAL: ENGLISH

Thirty-ninth session
4-29 May 1992, Geneva
Item 6 of the provisional agenda

PROGRAMME PLANNING

Country and intercountry programmes and projects

FIFTH COUNTRY PROGRAMME FOR HONDURAS

Note by the Administrator

I. THE PREPARATORY PROCESS

1. The formulation process started in 1990 during a process of consultations between the Government and UNDP on the impact of cooperation on the economic adjustment, social compensation, production reactivation and modernization of the State and environmental development programmes of the Government. A high-level joint working group composed of representatives of the Ministry of Planning and UNDP met on various occasions to analyse the strategy for UNDP assistance, the conclusions of the Consultative Group, the mid-term review of the fourth country programme, sectoral policies of the Government, the programmatic orientations of UNDP, particularly those contained in General Assembly resolution 44/211 and decision 90/34 of the UNDP Governing Council.

2. An exhaustive review was carried out by the Ministry of Planning on the basis of the advisory note of UNDP. The United Nations agencies in Honduras participated actively in the definition of the assistance according to priority areas identified by the Government. The fifth country programme, which was prepared by the Government with the support of the local UNDP Office, reflects the consensus among governmental authorities, agencies of the United Nations system and UNDP.

II. ANALYTICAL COMMENTARY ON THE COUNTRY PROGRAMME

3. The objective of the fifth country programme, which covers the period 1992-1996, is to strengthen the capacity of the Government to carry out priority development programmes through institution-building, the formulation of national programmes, the implementation of pilot projects to test the viability of their replication on a massive scale, including the mobilization of international technical and financial resources to this effect, technology transfer, promotion of participation by NGOs, grass-roots organizations and the private sector, and the evaluation of the programmes.

4. The strategy of the fifth country programme is aimed at using the UNDP resources as seed money to mobilize resources for complementary assistance making use of UNDP's comparative advantage including access to universal sources of knowledge, international experience with external cooperation, flexibility, agility in responding to the Government's requests, ability to promote Central American integration, political and sectoral neutrality, and capacity to administer other resources. UNDP will continue to coordinate with United Nations agencies and multilateral banks. The selected areas of concentration coincide with UNDP's human development goals. The programmes or projects will be implemented by the Government, and the United Nations agencies will participate as cooperating agencies. The evaluation of the impact of the programme within the framework of national programmes is of particular importance. The indicators of impact identified in each of the areas of concentration will be applied with the participation of UNDP, the Ministry of Planning and the institutions concerned. The "programme approach" will be introduced gradually to the areas of concentration with certain exceptions, namely, the fourth area, on sustainable environmental development, and the sub-areas on agriculture, in the second objective, and experiences on municipal decentralization in the third objective, which will be handled as clusters of projects.

5. The fifth country programme is concentrated in the following areas: (a) support for the economic modernization and social development programme; (b) strengthening of productive sectors and improvement in employment and income; (c) reform, modernization and decentralization of the State; (d) sustainable environmental development.

6. The first area of support for the economic modernization and social development programme, which has been assigned 30.2 per cent of the combined IPF and cost-sharing resources, will have three basic components, namely, support for economic modernization, targeting of social expenditure and achievement of human development goals, and promotion of cooperation for social development. This envisages capacity-building to measure the impact of social and economic macroeconomic measures, to implement the national public investment programme, including strategic planning and training, improve conditions for international trade, manage the debt, improve the targeting of beneficiaries to attain the human development goals adopted at the Central American Presidential Summit meeting held in December 1991, and mobilization of resources for education, health, drinking water, nutrition, food security

and housing programmes. IPF and cost-sharing resources assigned to this area amount to 30.2 per cent of the combined IPF and cost-sharing resources envisaged.

7. The second area, strengthening of the productive sectors and improvement in employment and income, will support the national scientific and technology programme through promotion of the participation of universities and private enterprises; the industrial restructuring programme through advice on industrial reconversion, promotion of foreign investment and formulation of investment projects in strategic productive sectors; pilot export promotion programme involving the private and public sectors; national microenterprise programme including capacity-building in the management by the public, private and non-governmental sectors; and the agricultural programme, aimed at replicating productive projects on a massive scale. Expenditures planned for this area amount to 15 per cent of the combined IPF and cost-sharing resources envisaged.

8. The third area, reform, modernization and decentralization of the State, will be directed to support three components, namely, administrative modernization in support of the activities of the Presidential Commission for the Modernization of the State established in December 1991 and its Executive Secretariat through the Management Development Programme (MDP) including planning and management of institutional restructuring and privatization programmes; decentralization and municipal development in support of the Law on Municipalities of 1991 and the Presidential Commission on the Modernization of the State and its Executive Secretariat, on policy formulation, definition of intergovernmental relationships and transfer of functions to municipalities, and institutional support to municipalities; and human rights to support the presidency on institutional development, training and promotion of human rights including those of women and children. The combined IPF and cost-sharing resources envisaged for this area amount to 35 per cent of the total.

9. The fourth area, on sustainable environmental development, will support the Government's efforts to mobilize resources from other sources to implement the National Action Plan on the Environment and projects contained therein. This will include two main aspects, first, support (to Congress) for the formulation of the Law on Natural Resources, forestry and energy policies, disaster prevention, management and use of protected areas, set-up of a new institutional order for environmental management, including the participation of the private sector, community environmental organizations, municipalities and non-governmental institutions. The second aspect entails support for the implementation of pilot projects on environmental education, and management of forests and fragile ecosystems having mangroves and coral reefs, as well as mobilization of resources for them. This area will command 19.9 per cent of the combined IPF and cost-sharing resources.

10. The Administrator notes that the fifth country programme will support the Honduran Human Development Programme, the "programme approach" and national execution, that its areas of concentration respond to the Government's

priorities, and that two of its areas of concentration relate directly to two out of the six areas of focus contained in decision 90/34 of the UNDP Governing Council, namely, development management and environmental problems and natural resource management.

11. The fifth country programme has resources estimated at $38,541,000 consisting of $12,991,000 in IPF, and cost-sharing of $25,550,000, with IPF acting as seed money for the mobilization of resources. Assistance outside thematic area, related to support in the administration, coordination and implementation of international cooperation in the Ministry of Planning will be funded through Special Programme Resources estimated at $200,000, National Technical Cooperation Assessment and Programme (NaTCAP).

III. MANAGEMENT OF COUNTRY PROGRAMME IMPLEMENTATION

12. The mid-term review of the country programme, which will coincide with a change of Government, will be used to verify the validity of the areas of concentration and the allocation of resources to them.

13. The coordination, monitoring and evaluation of the programme will be the joint responsibility of UNDP and the Ministry of Planning. Each area of concentration will have a Coordination and Evaluation Committee, composed of representatives of the Ministry of Planning, UNDP and the implementing entities.

14. The Government and UNDP coincide in their interest in strengthening the national execution capacity, for which it is intended to strengthen the unit of operations of UNDP, conceived as a support mechanism for national execution. Maximum use will be made of national technical capacities, resorting to international technical consultancies only when national capacities are not available locally. The United Nations agencies will cooperate in the implementation of highly specialized components.

15. The use of Technical Cooperation among Developing Countries (TCDC), particularly from Latin America, United Nations Volunteers and United Nations International Short-Term Advisory Resources (UNISTAR) will be strengthened during the implementation of the fifth programme and linkages will be reinforced with global programmes, with emphasis on the Special Plan of Economic Cooperation for Central America and the Regional Programme for Latin America and the Caribbean.

IV. RECOMMENDATION OF THE ADMINISTRATOR

16. The observations made in the present note reflect the Administrator's belief that the fifth country programme for Honduras is relevant in its support to the principal development priorities of the country; follows the recommendations of the UNDP advisory note; is the result of a consensus between the Government and UNDP and reflects extensive coordination with other

United Nations agencies and donors; and has the Government's full support to make its implementation possible.

17. For the above reasons, the Administrator recommends that the Governing Council approve the fifth country programme for Honduras.